

PRODUCTIVITY : THE TENDER TRAP

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American businesses have recently racked up the biggest productivity gains in 20 years, but when you look at that within the context of job gains, it's nothing to write home about.

Sure, productivity is important in a business. It's what any business must promote continually. Economists love it. Analysts love it. Stockholders love it. It's all about bottom-line growth, which indicates how efficiently a business controls costs.

But there's something much more important to business success than bottom-line productivity gains. It's top-line or revenue growth. Look at the success stories of the past two-decades, the Microsofts, the GEs, the IBMs (after the Gerstner turnaround); such companies were successful because of top-line growth, not just productivity gains.

Businesses that have an overriding focus on achieving productivity gains can fall into a tender trap that prevents them from getting such growth. It's tender because they feel good about achieving such gains and often see the gains as an end in and of themselves. But it's a trap because they miss great top-line growth opportunities.

Here's how to use what might otherwise be a trap as a springboard to top-line growth.

(1) Cultivate a top-line growth mind-set. This does not mean that you ignore productivity gains. Achieving such gains should be an on-going endeavor. However, the achievements cannot come at the expense of diverting resources and people away from top-line growth. In fact, the best thing one can do with productivity gains is to make them springboards for top-line growth. Accomplish this by seeking ways to transform your productivity gains into productivity gains for your customers.

A worldwide materials supplier I've worked with does just that. When customers started beating on them to lower the prices of their products, their leaders did an innovative thing. They decided that one of the products they would sell was productivity. They made an agreement with their customers to help them achieve measured gains in productivity -- in return, they would hold the line on prices.

"It was a relatively simple thing to find ways our customers could be more productive," one of their leaders told me. "Most companies have a long way to go in terms of productivity."

(2) Drive the top-line growth mind-set through all functions of the company. Productivity gains can be made in all functions of most organizations. The trouble is that the leaders of those functions often don't see the connection between their achieving such gains and top-line growth. The materials supplier was successful in translating their productivity gains and into gains for the customers because they used the expertise of all their functions for the customer's benefit. Thus, when productivity was made to increase, say, in accounting, the company drew on those best practices to help their own customer's accounting. When people of all ranks and functions see their jobs not just in the narrow range of job descriptions but as productivity drivers for their customers, everyone becomes accountable for top-line growth.

(3) Make top-line growth a strategic endeavor. Don't do it ad hoc. Bringing your productivity gains to your customers must be a part of the strategic direction of the company. Productivity gains are a strategic one-two punch: your gains are only truly meaningful (i.e. truly beneficial in a comprehensive way) when those gains are improving your top-line by helping your customer improve theirs.

Furthermore, the productivity strategy must be complimented by what I call a "Leadership Strategy" -- getting the people who must carry out the strategy to be its ardent cause leaders.

The materials company found that the better they were at getting productivity gains for themselves, the better they were able to get such gains for their customers; and when you are helping your customers in such important ways as productivity, you are cementing powerful relationships. As the materials company leader told me, "You can take a customer to ball games and wine and dine them; but when you help them get productivity increases, they become truly loyal to you."

When I tell leaders about the one-two punch, many of them say that their products don't relate at all to their customers' productivity. I say, "Look again. You might not find a direct link with your products, but I'll bet you have developed productivity processes that can benefit your customer."

The materials company wasn't offering their materials, they were offering productivity, which in many cases had nothing to do with their materials. They were offering productivity expertise and processes.

Avoid the tender trap of seeing the gains as an end. View the gains as a process to help your customers. The one-two productivity punch can be one of the most powerful results-generator you have ever used.

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